

TREE NUT SITUATION UPDATES

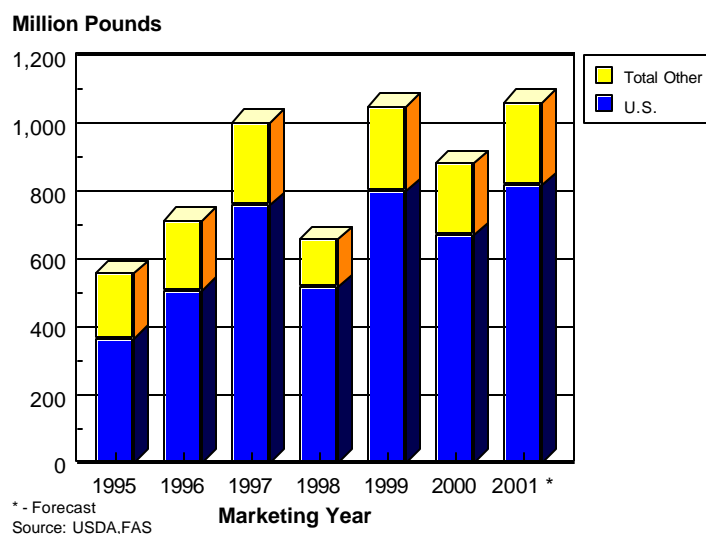
This report updates the tree nut situation for selected countries published in the November 2001 issue of *World Horticultural Trade & U.S. Export Opportunities*.

Almonds

Overview of Global Production & Trade

Almond production in selected countries in 2001/02 is forecast to increase 21 percent to 481,335 tons, due to increased output in all major almond-producing countries. As a result, total world almond supply has to 597,876 and total exports from selected countries in 2001/02 are forecast to increase 6 percent to 310,778 tons. U.S. almond exports are forecast at 249,478 tons, 4 percent above last year due to a much larger crop. Spain expects an 11-percent increase for their almond production in 2001/02, due to favorable weather conditions in most growing areas. Exports in 2001/02 are forecast at 55,000 tons, up 9 percent from last year, due mostly to the larger crop. While there is no price support program for tree nuts, the EU does have an improvement plan that is implemented in Spain's almond sectors. Up to 475 Euros/hectare may be provided to growers to plant improved, higher-yielding varieties.

U.S. Share of World Almond Production

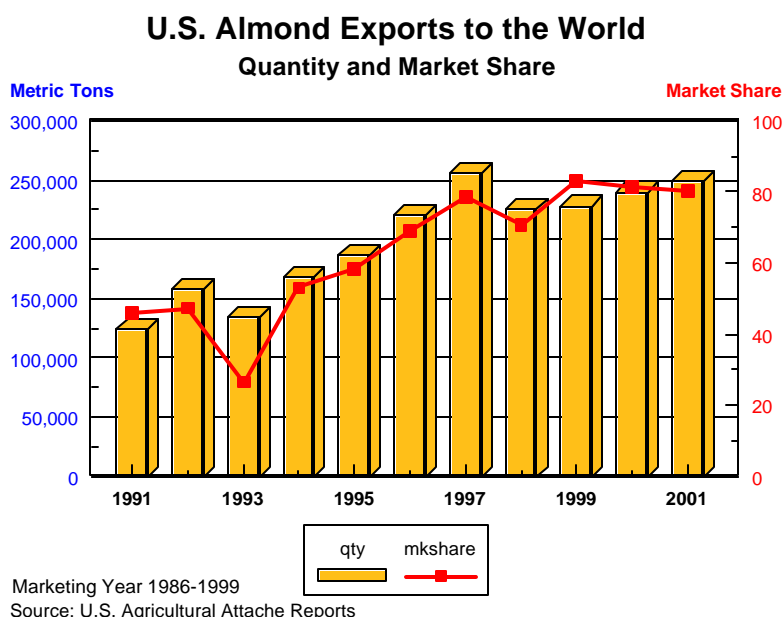


The United States

U.S. almond production in 2001/02 is forecast at a record 370,135 tons, a 22-percent increase from the previous year. This increase in output is based on 212,461 bearing hectares, a 5-percent increase from 2000/01. Total U.S. almond supplies in 2001/02 are forecast at 418,053 tons, up 9 percent from the previous season, due to the large increase in production. With the cyclical nature of almonds, the 2001 season began with growers expecting a much heavier set than last year. However, weather conditions have been less than ideal, resulting in reduced expectations for the 2001 crop. Low temperatures and rain during the critical bloom period decreased the ability of bees to successfully pollinate many orchards across the producing areas of California. Despite the poor weather conditions, yields are expected to be 2 percent above the previous record of 361,362 tons set in 1999.

As a result of the expected increase in world production of almonds in 2001/02, U.S. almond grower prices are expected to decline from the 2000/01 levels. U.S. almond grower prices have been declined tremendously during the last five years. From 1996/97 to 2000/01, U.S. almond prices have dropped by 51 percent. Low world almond prices do, however, encourage consumption and in the past, have boosted U.S. exports to record levels. For this reason, it is expected that 2001/02 will see worldwide record levels of exports to a forecasted 310,778 tons.

The United States Department of Agriculture forecasts U.S. almond exports at 249,478 tons for 2001/02, based on industry information. Low world almond prices are expected to boost exports. In 2000/01, shelled almonds, including prepared and preserved, accounted for 91 percent of total U.S. almond exports. Major buyers of U.S. shelled almonds were the European Union (primarily Germany, Spain, and the Netherlands), accounting for 53 percent, and Asia (primarily India, Japan, and China) purchasing 29 percent. Asia is the most significant importer of in-shell almonds, purchasing nearly 79 percent of total U.S. in-shell exports in 2000/01.



Competitor Countries

Italy's almond production for 2001/02 is forecast at 20,000 tons, double last year's meager crop. Weather conditions in Italy have remained very favorable during the whole season and trees are expected to produce at almost their maximum capacity. Furthermore, some observers tie the production increase to the cyclical crop fluctuation, which is more pronounced in Italy's aging almond trees.

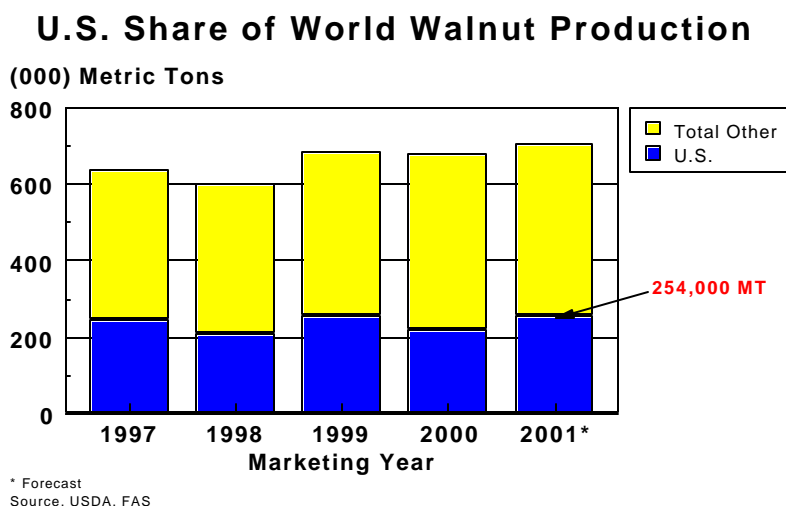
Spain's almond production in 2001/02 is estimated at 59,000 tons, due to favorable weather conditions in most growing areas. Exports in 2001/02 are forecast at 55,000 tons, up 9 percent from last year, due mostly to the larger crop. Other European Union (EU) countries (Germany, France, and Italy) purchase about 93 percent of Spain's exports. Almond imports in 2001/02 are forecast to increase 31 percent from last year. The United States continues to be the dominant foreign supplier of almonds to Spain. While there is no price support program for tree nuts, the

EU does have an improvement plan that is implemented in Spain's almond sectors. Up to 475 Euros/hectare may be provided to growers to plant improved, higher-yielding varieties. While this program was expected to end in 2001, Spanish nut growers secured a one-year extension. Spain's government and industry seek another extension of the program until the implementation of the new fruit and vegetable regime, which is scheduled in principle, to take place in 2003.

Walnuts

Overview of Global Production & Trade

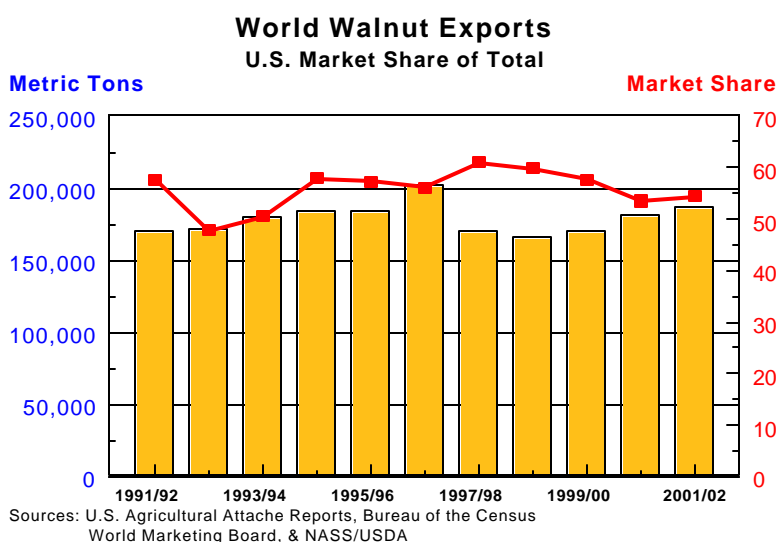
Walnut production in selected countries in 2001/02 is forecast to increase 4 percent to 706,416 tons, due to a major increase in output in the United States. Consequently, total world walnut supply has also increased to 830,208 tons in 2001/02. Total exports from selected countries in 2001/02 are forecast to increase 2 percent to 184,225 tons, due to higher production in the United States. U.S. walnut exports are forecast at 100,225 tons, 3 percent above last year due to a much larger crop. China has seen its walnut production surge for the last several years because of increased planting and bearing acreage, improved walnut varieties, and better tree management. Walnut production in 2000/01 surpassed the initial forecast by 10,000 tons. India expects a 10-percent drop from last year's record crop due to lower yields caused by early-season droughts and the trees' alternating bearing pattern. Adequate rains averted a much larger decline in March and April, which supported the crop during flowering and fruiting (April/May). Turkey expects the 2001/02 walnut crop to reach 68,000 tons, a slight decrease from last year. This was due mainly to unusually hot and dry weather conditions.



The United States

The 2001/02 U.S. walnut crop is forecast at 254,016 tons, 17 percent above last year's crop, due to the alternate-bearing nature of the crop. U.S. exports in 2001/02 are expected to reach 100,225 tons, up 3 percent from the previous year, due to higher production and strong worldwide demand. In 2000/01, U.S. grower prices increased 37 percent from the previous year, reversing a three-year declining trend. The major increase in U.S. production of walnuts forecast for 2001/02 is expected to lower grower prices once again. However, this should spur world consumption and contribute to higher levels of U.S. exports in 2001/02. Shipments to Mexico,

Australia, Egypt, and some Latin America countries were down in 2000/01 from 1999/00 but were up for Canada, Japan, Israel and the major European markets. The 2001/02 walnut crop is on the way to being the second largest on record and is expected to contain probably the best quality of any walnut crop harvested in California. This large quality crop, combined with support from the Market Access Program (MAP), as well as publicity following the publication of the several health studies showing the health benefits associated with walnut consumption, is expected to translate into a good export year for walnuts. Exports to MAP-targeted countries of Canada, Germany, Italy, Israel, Japan, Korea and Spain are all slated to grow from 5 to 20 percent over the next 3 years. Spain, Japan, and Germany are still the top three markets, reflecting the strong consumer base in these countries. Also, Germany is the traditional trade center for nuts.



Competitor Countries

China has seen its walnut production upsurge for the last several years because of increased planting and bearing acreage, improved walnut varieties, and better tree management. Walnut production in 2000/01 surpassed the initial forecast by 10,000 tons. This was primarily due to the bearing cycle of walnut trees in Southern China and to very favorable weather conditions. However, walnut production in 2001/02 is forecast at 310,000 tons, the same as last year.

India expects a 10-percent drop from last year's record crop due to lower yields caused by early-season droughts and the trees' alternating bearing pattern. Adequate rains averted a much larger decline in March and April, which supported the crop during flowering and fruiting (April/May). Tighter supplies and strong export demand are likely to keep domestic prices firm, resulting in some consumer shift from walnuts to imported U.S. almonds during 2001/02. However, next year's walnut crop should be much larger due to the high yielding phase of the alternating bearing pattern and the maturation of new trees.

Turkey expects the 2001/02 walnut crop to reach 68,000 tons, a slight decrease from last year. This was due mainly to unusually hot and dry weather conditions. Walnuts grow naturally throughout most of Turkey and in the past, they were generally not cultivated but simply

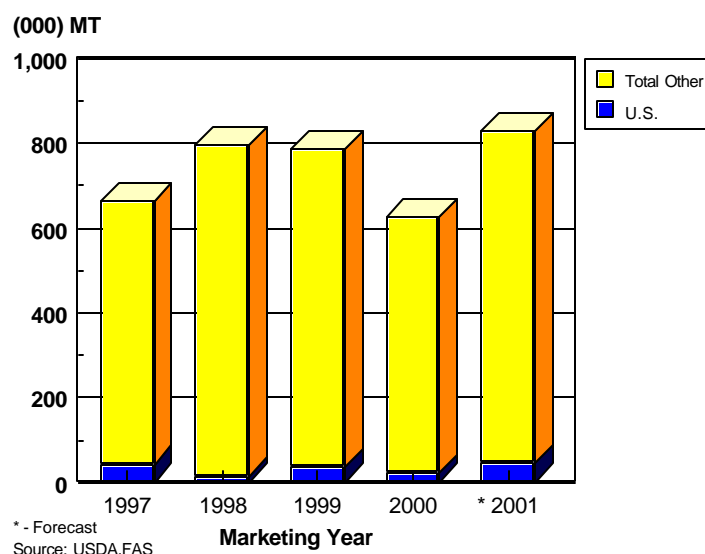
harvested from natural forests. However, during the last couple of decades, increasing demand and prices have made walnut cultivation more attractive, leading to increased investment in cultivation. The lack of a systematic crop survey and widely divergent estimates from government and non-official sources make it difficult to accurately estimate production. However, sources agree that walnut production is expected to gradually rise in the next 3-5 years, as new trees with improved varieties reach bearing age and acreage is increased. Per capita consumption is relatively stable in Turkey, with 50 percent of the crop production used for home consumption and the remainder marketed. Most of the marketed walnuts are consumed whole, with only a limited amount being processed. Walnut trade is very limited. Most imports are inexpensive, lower quality nuts from neighboring countries. Higher quality domestic nuts are usually exported.

Hazelnuts

Overview of Global Production & Trade

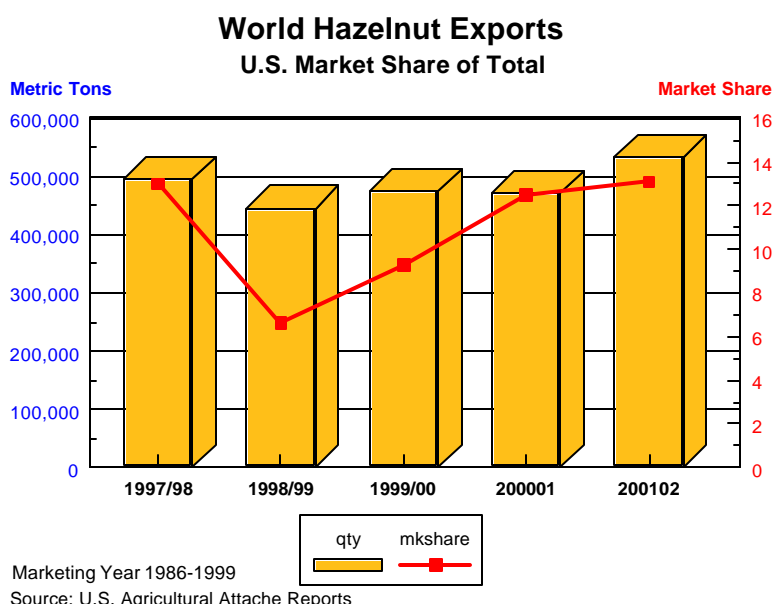
Hazelnut production in selected countries in 2001/02 is forecast to increase 31 percent to 801,545 tons, due to increased output in all major hazelnut-producing countries. Total world hazelnut supply has also increased from 998,168 tons in 2000/01 to 1,061,456 tons in 2001/02. This is due in large part to the large increase in world production and Turkey's larger carryover stocks. Total exports from selected countries in 2001/02 are forecast to increase 12 percent to 521,950 tons, due to higher production in all countries. U.S. hazelnut exports are forecast at 27,750 tons, 73 percent above last year due to a much larger crop. Future world production and supplies will be strongly influenced by the outcome of Turkey's implementation of reforms in conjunction with the International Monetary Fund's (IMF) that will gradually phase out its hazelnut support price. Turkey is the world's largest hazelnut producer accounting for about 70 percent of world supply.

U.S. Share of World Hazelnut Production



The United States

Based on the recent Oregon Objective Measurement Survey, U.S. hazelnut production in 2001/02 is forecast at 43,545 tons, up 92 percent from the previous year's harvest and 26 percent above the 1999/00 production. Oregon produces almost the entire crop, except for an estimated 270 tons from Washington. Oregon's production is expected to be a record for the second time in the past four years. Exports in 2001/02 are forecast at 27,750 tons, up 122 percent from the previous year's shipments, due to the much larger output. However, U.S. exports will face substantial international competition from lower-priced Turkish product, as Turkey gradually phases out price supports to FISKOBIRLIK (The Union of Hazelnut Sales Cooperative). Hazelnut prices are expected to remain relatively stable, despite higher production.



Competitor Countries

Turkey's 2001/02 crop is estimated at 600,000 tons, up 22 percent from last year, due to favorable weather conditions before harvest. Hazelnut production is one of the most important economic activities in the country, employing an estimated 385,000 growers. Most of these grow hazelnuts to supplement their primary income, own about 1 to 2.5 hectares, and use family labor at harvest. Only a few large growers rely on hazelnut production as their primary income. There are approximately 536,000 hectares in production, although this is difficult to verify, given the lack of systematic crop surveys.

Following through on its commitments to the International Monetary Fund (IMF) to reduce inflation, the Government of Turkey (GOT) is trying to reduce the large production surplus, by gradually lowering the hazelnut support price. On August 18, 2001, the general director of FISKOBIRLIK announced the MY 2001/02 procurement prices, which are differentiated by the type of hazelnut. Levant type hazelnuts, which are an estimated 70-80 percent of the total production, will receive the support price of TL 1,500,000 (\$1.06/kg), compared with last year's price of TL 1,100,000 (\$2.30/kg). The announcement has not been well received by growers. Although the MY 2001 price is 36 percent higher in nominal terms than it was the previous year, inflation was 65 percent during the last 12 months and devaluation of the Turkish Lira was about

225 percent. FISKOBIRLIK is expected to procure between 100,000 and 150,000 tons of hazelnuts in 2001/02, although the quantity purchased will be determined by the amount and timeliness of payments provided by the Turkish government.

Turkey accounts for more than 80 percent of the world hazelnut trade and, through FISKOBIRLIK, largely determines world export prices. Indicative export prices in early August were around \$280.00 per 100 kilograms compared to \$300.00 a year earlier. Export prices dropped recently to \$225.00 after FISKOBIRLIK announced the new procurement price. In 2001/02, exports are forecast at 420,000 tons, up 4 percent from last year. Although 78 percent of Turkish exports go to the EU, Turkey is trying to expand markets in Asia, the former Soviet Union countries, as well as the United States, where it is involved in a joint promotion program with U.S. growers to increase U.S. hazelnut consumption. About 70 percent of Turkey's hazelnut exports comprise raw kernels, with the remaining 30 percent being processed kernels, including roasted, sliced, and chopped hazelnuts, paste, meal, and flour.

Italian hazelnut production in 2001/02 is estimated to be 135,000 tons, 63 percent above last year's poor crop, due to cyclical crop fluctuation and favorable weather conditions. Imports are expected to decrease 25 percent, due to increased production. Imports of shelled hazelnuts from the United States and Turkey dropped to zero in 2000/2001, due to the cheap price of Turkish product and increased supplies of competing hazelnuts from the EU. Exports for 2001/02 are forecast at 3,000 tons, 36 percent above last year's level, due to the larger crop. In 2000/01, exports fell by 14 percent, due primarily to aggressive Turkish competition in Italy's main hazelnut export markets (Germany, France, and Switzerland). Reduced domestic supplies in 2000/01 (due to the poor Italian crop) strengthened the market, and prices of Italian hazelnuts averaged about 13 percent more than the previous year, despite the increasing imports of shelled hazelnuts from Turkey. The forecast of large crops both in Turkey and Italy, on the other hand, will likely depress the market during the next marketing year.

The EU program favoring domestic hazelnut producers (which provided payment of 15 Euros per 100 kg, in-shell basis) has expired and the EU has adopted no new support actions. This is despite strong grower support for these measures in order to counteract competition from Turkey. The EU Commission will probably produce a draft proposal by the end of this year, to be discussed by the Council next year, although budget constraints will limit the impact of such a new policy initiative.

Spain's 2001/02 hazelnut crop is estimated to reach a record 35,000 tons, more than double last year's crop of 16,000 tons, due to the crop's alternate bearing cycle and unusually rainy weather during the summer of 2001. Hazelnut exports are expected to increase and imports are expected to decrease as a result of the much larger crop. The United States represents about 5 percent of Spain's total hazelnut imports and continues to face stiff competition from lower-priced Turkish product, which accounts for 65 percent of Spain's imports. All Turkish hazelnut exports to Spain are shelled, while U.S. exports are in-shell. The bulk of the hazelnut crop is consumed in-shell, with the confectionary and chocolate industries consuming 60-70 percent of total supplies.

While there is no price support program for tree nuts, the EU does have an improvement plan that is implemented in both Spain's hazelnut and almond sectors. Up to 475 ECU/hectare may

be provided to growers for varietal improvement of their orchards. The Government of Spain and industry continue to seek an extension of the Program until the implementation of the new fruit and vegetable regime begins, in principle scheduled for 2003. Spanish nut growers have argued for an extension of this program. Given competition from Turkish product, Spanish hazelnut growers consider this program vital to their future competitiveness and are expected to oppose the most recent EU proposal for reform of the fruit and vegetable regime, which calls for a significant cut in subsidies.

(For more information on production and trade, contact Erik Hansen at 202-720-0875. For information on marketing, contact Ingrid Mohn at 202-720-5330. Also, please visit the tree nuts commodity page: <http://www.fas.usda.gov/http/horticulture/nuts.html> for the latest information on almonds, walnuts, pistachios, hazelnuts, pecans, and macadamia nuts.)

ALMONDS: PRODUCTION, SUPPLY, AND DISTRIBUTION IN SELECTED COUNTRIES

Country/ Marketing Year 1/	Beginning Stocks	Production	Imports	Total Supply	Exports	Domestic Consumption	Ending Stocks
Metric tons, shelled basis							
Greece							
1999/2000	3,623	17,000	2,000	22,623	2,800	14,700	5,123
2000/2001	5,123	15,500	2,500	23,123	1,000	16,000	6,123
2001/2002	6,123	17,200	2,000	25,323	2,800	16,500	6,023
2002/2003 F	6,023	16,000	2,000	24,023	2,600	16,500	4,923
Italy							
1999/2000	1,000	17,000	16,400	34,400	2,000	30,400	2,000
2000/2001	2,000	10,000	16,000	28,000	2,200	24,800	1,000
2001/2002	1,000	20,000	12,000	33,000	3,000	28,000	2,000
2002/2003 F	2,000	15,000	15,000	32,000	2,000	28,000	2,000
Spain							
1999/2000	0	66,000	34,000	100,000	43,000	52,000	5,000
2000/2001	5,000	53,000	32,000	90,000	51,000	38,500	500
2001/2002	500	59,000	42,000	101,500	55,000	46,000	500
2002/2003 F	500	59,000	43,000	102,500	55,000	47,000	500
Turkey							
1999/2000	1,000	14,000	2,000	17,000	200	14,800	2,000
2000/2001	2,000	15,500	2,500	20,000	500	16,500	3,000
2001/2002	3,000	15,000	2,000	20,000	500	17,000	2,500
2002/2003 F	2,500	15,000	2,000	19,500	500	17,000	2,000
United States 2/ 3/ 4/ 5/							
1999/2000	41,656	361,362	103	403,121	228,171	95,185	79,765
2000/2001	79,765	303,700	28	383,493	239,802	95,853	47,838
2001/2002	47,838	370,135	80	418,053	249,478	99,781	68,794
2002/2003 F	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total							
1999/2000	47,279	475,362	54,503	577,144	276,171	207,085	93,888
2000/2001	93,888	397,700	53,028	544,616	294,502	191,653	58,461
2001/2002	58,461	481,335	58,080	597,876	310,778	207,281	79,817
2002/2003 F	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1/ Marketing Years: August-July for the United States; September-August for Spain, Italy, Turkey; October-September for Greece.

2/ U.S. import data are from Bureau of the Census with input from the Almond Board of California (ABC). Import forecast originates with the Foreign Agricultural Service (FAS)/USDA.

3/ The U.S. domestic shelling ratios for exports and imports for 1998/99 and 1999/00 are .554 and .559 respectively and originate from the National Agricultural Statistics Service (NASS)/USDA. For 2000/01 and 2001/02, FAS used shelling ratios of .593 and .582 respectively, averages based on the three preceding years.

4/ U.S. export and stock data for 1998/99, 1999/00, and 2000/01 come from the ABC;

2001/02 export forecast based on data from the ABC; 2000/01 stock estimate from ABC.

5/ U.S. production forecast for 2001/02 by the National Agricultural Statistics Service (NASS).

F=Forecast.

SOURCES: U.S. Agricultural Attaché Reports, Bureau of Census, ABC, and NASS/USDA.

WALNUTS: PRODUCTION, SUPPLY AND DISTRIBUTION IN SELECTED COUNTRIES

Country/ Marketing Year 1/	Beginning Stocks	Production	Imports	Total Supply	Exports	Domestic Consumption	Ending Stocks
Metric tons, in-shell basis							
Chile							
1999/2000	341	10,000	170	10,511	7,961	1,650	900
2000/2001	900	11,800	284	12,984	11,445	1,400	139
2001/2002	139	12,400	250	12,789	10,500	1,750	539
2002/2003 F	539	12,500	250	13,289	11,000	1,850	439
China							
1999/2000	0	274,246	2,582	276,828	29,398	247,430	0
2000/2001	0	310,000	500	310,500	32,500	278,000	0
2001/2002	0	310,000	1,000	311,000	33,000	278,000	0
2002/2003 F	N/A	N/A	N/A	N/A	N/A	N/A	N/A
France							
1999/2000	0	29,045	11,800	40,845	20,500	20,345	0
2000/2001	0	25,600	13,300	38,900	23,000	15,900	0
2001/2002	0	26,000	15,500	41,500	25,000	16,500	0
2002/2003 F	0	27,000	16,000	43,000	26,000	17,000	0
India							
1999/2000	10,500	28,000	0	38,500	12,000	16,500	10,000
2000/2001	10,000	31,000	0	41,000	15,500	17,000	8,500
2001/2002	8,500	28,000	0	36,500	14,000	17,000	5,500
2002/2003 F	5,500	32,000	0	37,500	16,000	17,500	4,000
Italy							
1999/2000	1,000	18,000	18,000	37,000	1,800	29,200	6,000
2000/2001	6,000	16,000	12,000	34,000	1,500	29,500	3,000
2001/2002	3,000	8,000	20,000	31,000	1,000	28,000	2,000
2002/2003 F	2,000	13,000	16,000	31,000	1,000	28,000	2,000
Turkey							
1999/2000	7,000	70,000	5,000	82,000	500	72,500	9,000
2000/2001	9,000	69,000	8,000	86,000	500	75,500	10,000
2001/2002	10,000	68,000	8,000	86,000	500	76,000	9,500
2002/2003 F	9,500	70,000	7,000	86,500	500	77,000	9,000
United States 2/ 3/ 4/ 5/							
1999/2000	63,965	256,734	100	320,799	98,105	155,765	66,929
2000/2001	66,929	216,817	235	283,981	97,035	129,693	57,253
2001/2002	57,253	254,016	150	311,419	100,225	159,879	51,315
2002/2003 F	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total							
1999/2000	82,806	686,025	37,652	806,483	170,264	543,390	92,829
2000/2001	92,829	680,217	34,319	807,365	181,480	546,993	78,892
2001/2002	78,892	706,416	44,900	830,208	184,225	577,129	68,854
2002/2003 F	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1/ Marketing Years: March-February for Chile; August-July for the United States; September-August for Italy and Turkey; October-September for China, France, and India.

HAZELNUTS: PRODUCTION, SUPPLY AND DISTRIBUTION

Country/ Marketing Year 1/	Beginning Stocks	Production	Imports	Total Supply	Exports	Domestic Consumption	Ending Stocks
Metric tons, in-shell basis							
Italy							
1999/2000	2,000	110,000	44,000	156,000	35,000	119,000	2,000
2000/2001	2,000	83,000	56,000	141,000	33,000	106,000	2,000
2001/2002	2,000	135,000	40,000	177,000	50,000	123,000	4,000
2002/2003 F	4,000	100,000	50,000	154,000	35,000	117,000	2,000
Spain							
1999/2000	0	25,000	9,700	34,700	14,000	17,200	3,500
2000/2001	3,500	16,000	11,000	30,500	12,000	17,000	1,500
2001/2002	1,500	23,000	9,000	33,500	14,200	18,300	1,000
2002/2003 F	1,000	20,000	10,000	31,000	12,000	18,000	1,000
Turkey							
1999/2000	275,000	610,000	3	885,003	397,613	187,390	300,000
2000/2001	300,000	490,000	0	790,000	406,343	183,657	200,000
2001/2002	200,000	600,000	0	800,000	430,000	200,000	170,000
2002/2003 F	170,000	600,000	0	770,000	425,000	200,000	145,000
United States 2/ 3/ 4/ 5/							
1999/2000	103	34,500	6,260	40,863	13,093	23,667	4,103
2000/2001	4,103	22,680	9,885	36,668	15,999	18,669	2,000
2001/2002	2,000	43,545	5,411	50,956	27,750	22,206	1,000
2002/2003 F	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total							
1999/2000	277,103	779,500	59,963	1,116,566	459,706	347,257	309,603
2000/2001	309,603	611,680	76,885	998,168	467,342	325,326	205,500
2001/2002	205,500	801,545	54,411	1,061,456	521,950	363,506	176,000
2002/2003 F	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1/ Marketing Years: July-June for the United States; September -August for Spain, Italy, and Turkey.

2/ U.S. export and import data are from the Bureau of the Census with forecasts by the Foreign Agricultural Service (FAS)/USDA.

3/ The U.S. domestic shelling ratios for exports and imports for 1998/99 and 1999/00 are .405 and .391 respectively and originate from the National Agricultural Statistics Service (NASS)/USDA. For 2000/01 and 2001/02, FAS used shelling ratios of .386 and .394 respectively, averages based on the preceding three years.

4/ U.S. stock data comes from the Hazelnut Marketing Board (HMB)

5/ The 2001/02 production forecast comes from NASS.

F= Forecast.

SOURCES: U.S. Agricultural Attaché Reports, Bureau of the Census, HMB, and NASS/USDA.